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SIPDIS

STATE FOR WHA/CAR (WBENT), EB/TPP/JALLEN
USTR FOR SBOVIM, BMAKENS

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SUBJECT: WTO DEMARCHE ON SWISS FORMULA BENEFITS FOR
CARIBBEAN

REF: STATE 120667

1. (U) Per reftel, Econoff met with Esmond Reid and Richard Brown of the International and Economic Affairs Department at the Ministry of Foreign Affairs and Foreign Trade on July 5, 2005 to convey reftel demarche on the Swiss formula benefits for the Caribbean. He left the talking points and supporting charts as a non-paper.

2. (SBU) On the issue of losing preferential trade access advantages under the Argentina/Brazil/India (ABI) formula, Brown challenged the current utility of those advantages for Jamaica, since the Caribbean Basin Initiative (CBI) does not presently cover several market sectors of interest to the GOJ, while the Jamaican economy is currently unable to make significant exports in many of the sectors covered by CBI, such as textiles and ethanol. He said that, by contrast, the ABI plan would force cuts in many of the markets where Jamaican exporters have interest. Brown suggested that Jamaica could support the Swiss formula if the CBI were expanded to give Jamaica tariff advantages in a broader variety of product categories.

3. (SBU) Regarding the ability of developing countries to protect "import sensitive" sectors under the provisions of Paragraph Eight of the Swiss formula proposal, Brown said that the GOJ could support the plan if its financial analysis showed that the terms of the Paragraph Eight exemptions allowed the GOJ to maintain its revenue streams at a sufficiently high level.

4. (SBU) Regarding lack of access to major developing country markets under the ABI plan, Brown said that the GOJ was not terribly concerned about the lack of access, since 70 percent of Jamaica's foreign trade is with the United States, and geographical considerations make the developing Asian markets unattractive to Jamaican exporters.

5. (SBU) Reid inquired as to news of progress on the Free Trade Area of the Americas (FTAA), in light of the recent passage by the U.S. Senate of Central American (and Dominican Republic) Free Trade Area (CAFTA) legislation. He stated that, in the absence of a FTAA system, an enhanced CBI agreement would be of great interest to the GOJ. Reid added that cooperation could be enhanced in many areas, using the CBI as a framework.

6. (SBU) Reid and Brown said that they would convey the talking points and supporting data to their negotiators in Geneva.

7. (SBU) Comment: The GOJ's complaint that the CBI agreement is poorly suited to Jamaica's current needs seems accurate in many areas, especially in light of the near total collapse of the island's textile industry. Both Reid and Brown expressed interest in supporting the Swiss formula if the flexibility provided by the terms of Paragraph Eight meets the GOJ's needs, and if the categories of the CBI can be expanded to cover some of Jamaica's more active export sectors. End Comment.

TIGHE